

## Message Text

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PAGE 01 VIENNA 03300 080609Z  
ACTION EUR-12

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R 071517Z APR 78  
FM AMEMBASSY VIENNA  
TO USDA/FAS WASHDC  
INFO SECSTATE WASHDC 5877  
AMEMBASSY BUDAPEST

UNCLAS VIENNA 03300

USDA/FAS FOR GRAIN & FEED/DOUGLAS/NOVOTNY FROM  
AGATTACHE

E.O. 11652: N/A  
TAGS: EAGR,EPAP,HU  
SUBJ: HUNGARIAN GRAIN EXPORT SITUATION

1. ON APRIL 5 AGATTACHE MET WITH SAMU OF AGRIMPEX  
(FTO) TO DISCUSS CURRENT HUNGARIAN GRAIN EXPORT  
SITUATION. FOLLOWING ARE MAJOR POINTS LEARNED.

2. ALTHOUGH HUNGARY HARVESTED A GOOD GRAIN CROP IN  
1977, GRAIN EXPORTS DURING 1978 MAY FALL SUBSTAN-  
TIALY BELOW EXPECTATIONS. WHILE WHEAT CROP IN 1977  
WAS A RECORD AND CORN YIELDS PER HECTARE THE SECOND  
HIGHEST EVER, TOTAL CORN PRODUCTION WAS DISAPPOINTING.  
LESS THAN SIX MILLION TONS CORN WERE HARVESTED AGAINST  
THE PLANNED TARGET OF 6.8 MILLION TONS.

3. EXPANDED LIVESTOCK PRODUCTION NECESSITATES THE  
USE OF MORE GRAIN AT HOME. THE GOVERNMENT IS NOW  
PROVIDING NEW INCENTIVES TO SMALL FARMERS TO PRODUCE  
MORE HOGS. IN THIS SITUATION, LESS GRAIN BECOMES  
AVAILABLE FOR EXPORT.

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4. WHILE THE 1978 FOREIGN TRADE SITUATION IS TILL A  
BIG QUESTION, TRADE DATA SO FAR FOR THE FIRST THREE  
MONTHS OF THIS YEAR ARE NOT VERY ENCOURAGING. THE  
ONLY GRAIN EXPORT SO FAR WAS WHEAT -- ABOUT 200,000  
TONS. UNTIL BETTER INDICATIONS ARE AVAILABLE ABOUT  
THIS YEAR'S BOTH WHEAT AND CORN CROPS, NO ADDITIONAL  
WHEAT WILL BE EXPORTED.

5. CORN SITUATION IS EVEN LESS ENCOURAGING. HUNGARY WILL BE AGAIN A NET IMPORTER OF CORN IN 1978. SO FAR, CORN PURCHASES INCLUDE 80,000 TONS FROM ROMANIA. AN ADDITIONAL 50,000 TO 75,000 TONS OF CORN NOW BEING NEGOTIATED FOR DELIVERY FROM US SUPPLIERS. IN ADDITION TO CORN, HUNGARY ALSO BOUGHT 40,000 TONS OF BARLEY FROM GERMANY.

6. DESPITE SOME SUPPLY DIFFICULTIES, NOTABLY IN CORN, SAMU FEELS THERE SHOULD BE NO PROBLEM ABOUT HUNGARY'S ABILITY TO LIVE UP TO ITS COMMITMENTS TO DELIVER GRAIN TO NEIGHBORING COUNTRIES UNDER LONG-TERM AGREEMENTS. THESE AGREEMENTS ARE FLEXIBLE AND ARE BASED ON CALENDAR YEARS. THESE GRAIN SHIPMENTS MAY COME FROM TWO-YEAR CROPS.

7. COMMENT: HUNGARY'S DIM PROSPECTS FOR GRAIN EXPORTS IN 1978 (WITHOUT CORRESPONDING OFFSET IN INCREASED MEAT EXPORTS) WILL FURTHER CONTRIBUTE TO THE DETERIORATION OF ITS ALREADY NEGATIVE BALANCE OF TRADE. INSTEAD OF EARLIER HOPES FOR A 1.5 MILLION TON GRAIN EXPORTS IN 1978, THE COUNTRY MAY END UP WITH A NET GRAIN EXPORT OF ONLY 500,000 TO 700,000 TONS. WOLF

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